



DOING BUSINESS IN AFGHANISTAN

COUNTRY COMMERCIAL OVERVIEW FOR AFGHANISTAN

FALL 2002



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Executive Summary

Afghanistan's ethnically diverse population of 25 million is slowly coalescing around the goal of national unity, and exhibits a groundswell of support for economic and political progress. The Transitional Islamic State of Afghanistan (TISA), recently installed following the June 2002 Loya Jirga (grand council), faces the Herculean task of transforming an economy that passed through a Communist regime, a civil war, and the extremist Taliban regime in succession. It is a relatively business-friendly government that is trying to embrace market principles, although it is lacking in experience and trained personnel. At the same time the TISA must provide basic social and humanitarian aid to a population -- which is growing rapidly due to a massive return of refugees -- with some of the worst social indicators in the world. The government must also work quickly to rebuild the country's physical infrastructure, which has been largely destroyed. In the midst of all this, the security situation in Afghanistan is still tenuous, and is a critical factor affecting politics, governance, and business. U.S. firms interested in business development in Afghanistan should closely monitor the current security environment.

Afghanistan is in the midst of a fundamental political, economic, and social transition following nearly 23 years of war and upheaval.

A significant international effort to reconstruct Afghanistan is currently underway, led by the United States and other international donors. Short-term opportunities for U.S. firms will be largely linked to the donor reconstruction effort, and U.S. firms are advised to work closely with international financial institutions such as the World Bank and the Asian Development Bank to access such opportunities. Limited Afghan purchasing power will hinder large scale U.S. exports to this country for the foreseeable future, although there will be niche markets for specific products. The absence of a banking system, proper telecommunications, and a functioning legal system make this a difficult market, but one with substantial opportunities for U.S. business. Business infrastructure, while virtually non-existent in Afghanistan, is improving on a weekly basis. The TISA has recently passed a new investment law allowing, among other things, 100% foreign ownership, full transferability of profits outside of the country, international dispute resolution mechanisms, and stream-lined investment licensing procedures. The Afghan government has also discussed privatization of state industry and the development of oil, gas, and precious and semi-precious stones to attract foreign investors.

The TISA passed an Investment Law in July 2002 with considerable tax holidays and other incentives to encourage domestic and foreign investment.

Afghanistan: The Basics

Afghanistan, a country slightly smaller than the size of Texas, is landlocked, being surrounded by Iran, Turkmenistan, Uzbekistan, Tajikistan, China, and Pakistan. While precise data on Afghanistan's population is sketchy, the present in-country population is estimated at 20 to 25 million (if all refugees were to return). Afghanistan's various ethnic groups have a profound impact on its political, social and business fabric. The mix includes Pashtuns (38%, est.), Tajiks (25%, est.); Hazaras (19%, est.), Uzbeks and other minor ethnic groups. Kabul, Afghanistan's capital, has a population of over two million, with other major cities including Kandahar (pop. 235,000), Herat (200,000), Mazar-I-Sharif (150,000) and Jalalabad (70,000) (note: figures are 1988 UN estimates and are likely now much higher). Afghanistan's 20 plus years of conflict generated the largest refugee outflow in the world, with, at its peak nearly six million refugees living primarily in Pakistan and Iran. Over one million refugees returned to Afghanistan in the first six months of 2002. The primary languages are Dari (Afghan Persian) and Pashtu. Afghanistan has primarily an arid climate with warm summers and cold winters. The Hindu Kush mountain range runs from northeast to southwest through the middle of the country.

Afghanistan is only now emerging from an extended period of war, extended drought, and chaos. A 1978 communist coup and the December 1979 invasion of Afghanistan by the Soviet Union began a period marked by dramatic economic decline, social upheaval, and bloodshed. The departure of Soviet forces in February 1989 began a period of civil war through 1996. In September 1996, the Taliban came to power (although civil war continued), beginning a period of deep international isolation, further economic decline, and another exodus of Afghans to neighboring countries. Dramatic political and military changes have taken place in Afghanistan following the terrorist attacks of September 11, 2001. The military intervention of U.S.-led coalition forces resulted in the ouster of the Taliban in late 2001. This led to the formation of a provisional government, the beginning of a massive reconstruction effort, and an extensive U.S. and international presence that will support Afghanistan's economic recovery and generate opportunities for U.S. firms.

Political Snapshot

Following the rout of the Taliban in 2001-2002 and the establishment of an interim government committed to a democratic system of government, major steps were taken to return Afghanistan from its international isolation. Through talks in Bonn sponsored by the United Nations, agreement was reached in December 2001 to establish a six-month interim government known as the Afghan Interim Authority (AIA). Hamid Karzai, an ethnic Pashtun from Kandahar province (southern Afghanistan), was elected as its Chairman. The AIA held power until June 22, 2002, when the Loya Jirga (Grand Council) met to create a transitional authority, leading to a new constitution and a fully representative electoral process. Chairman Karzai was elected President of the Transitional Islamic State of Afghanistan (TISA), which also includes a 29-member cabinet. The transition government represents a mix of diverse ethnicities and will serve to the end of 2003. The TISA faces a monumental task of reconstruction, including strengthening the security situation country-wide, provision of basic human needs to the population, development of a functioning government, absorption of up to 3.5 million refugees returning from abroad, and reintegration of Afghanistan into the global marketplace.

Structure of Government

The Transitional Islamic State of Afghanistan (TISA), to serve until the end of 2003 when new elections will be called, is headed by President Hamid Karzai. President Karzai leads a cabinet of five vice presidents and 29 ministers with various political, economic, social, and security portfolios. A future parliament or National Assembly is a topic of much discussion but was not clearly defined during the Loya Jirga. There is a court system in Afghanistan, however it is only now beginning to regain its place in business and society.

Economic Snapshot

Afghanistan is a poor country that now needs to rebuild an economy largely destroyed following extended war and unrest. The TISA will focus on reviving the economy, particularly in agriculture, energy, housing, education, and export-related industries as part of its efforts to feed the population, create jobs, attract foreign investment, and earn desperately needed hard currency.

Reliable economic statistics on the Afghan economy do not exist, however the gross domestic product (GDP) is estimated at \$3 billion, and GDP per capita at about \$115 per year.

Afghanistan, once a net agricultural exporter and now an importer, has various crops including grain, barley, and other commodities. Afghanistan used to be the world's largest exporter of raisins, and was a major producer of grapes, melons, and other fruit. A disastrous drought, which began in 1999, has destroyed large tracts of agricultural land. However, increased rainfall in 2001-2002 has helped to alleviate this situation.

Afghanistan's economy is primarily made up of agriculture (65% of GDP), light industry (20%) and trade.

Afghan carpets, world famous for their quality and craftsmanship, represent a major opportunity to develop hard currency export earnings. Afghan carpets often fetch thousands of dollars via specialty dealers in the U.S. and Europe, and represent Afghanistan's best short-term prospect for re-establishing trade relations in the global marketplace. Other light industries include leather and leather processing, precious and semi-precious stones and marble. These sectors present opportunities for American companies, including sales and distribution, equipment, and capital investment.

Afghanistan wishes to rebuild its energy sector after more than a decade of neglect. According to Soviet estimates made in the 1980s, Afghanistan's proven and potential natural gas reserves were about five trillion cubic feet, oil and condensate reserves at about 95 million barrels, and 73 million tons of coal reserves. However, these data are not reliable given the technology used at the time and the dated nature of the information. In the 1980s, Afghanistan exported natural gas to Uzbekistan via grid interlinks in northern Afghanistan. Most sub-surface resources are located in northern Afghanistan stretching from Herat in the west to Badakhshan in the east, however no current, reliable seismic data exist. Refinery capacity in Afghanistan is minimal to non-existent. Nearly two-thirds of Afghanistan's power generation capacity is hydro-powered, with plants of 12-66 megawatt capacity located in Helmand province near Kandahar and Nangarhar province. Transmission lines are in desperate need of repair. In May 2002, the leaders of Afghanistan,

Pakistan, and Turkmenistan signed a Memorandum of Understanding to construct a gas pipeline linking the 45 TCF Dauletabad field in Turkmenistan with Pakistani markets – a project considered in the 1990s by the Central Asian Gas Pipeline Company with Unocal as a partner. In July 2002, the Asian Development Bank announced that it would fund a feasibility study for construction of the Trans Afghan Pipeline. Private sector interest in this project remains unclear as of July 2002.

Afghanistan maintains strong trading relationships with Pakistan, and to a lesser extent, Iran. The Afghan-Pakistani Afghan Trade and Transit Agreement allows duty-free transit of goods from Pakistani ports into Afghanistan, mostly of electronics and other consumer items. Some reports stated that many of these goods were then smuggled back into Pakistan – a common problem given the porous nature of the Pakistani-Afghan border. Trade with other neighbors, including Turkmenistan, Uzbekistan, Tajikistan and China, is minimal but will likely dramatically increase in 2002-2003. U.S.-Afghan bilateral trade is minimal, totaling \$5.8 million in 2001 but certain to grow in 2002.

Transportation is a major obstacle to increased commerce in this landlocked country and will be a major element of the reconstruction effort. Transportation is very difficult given the basic absence of road and rail infrastructure, with only 15 miles of railroad and less than 2,000 miles of paved roads. Emergency repairs to Kabul International Airport have allowed limited commercial flights to begin, however much work remains to be done. The reopening of the Salang Tunnel in 2001-2002 was a major step forward to open road links with northern Afghanistan and improve road commerce. The Amu Darya (Oxus) River, which forms part of Afghanistan's border with Turkmenistan, Uzbekistan, and Tajikistan, has barge traffic. The reopening of the Termez-Hazarey bridge in 2002 opened links to Uzbekistan.

The banking system in Afghanistan is virtually non-existent, with no ability to issue credit, process letters of credit, or other forms of payment common to international business. The banking sector is beginning a long climb to international standards, and a recent U.S. Agency for International Development (USAID) project will connect Afghan banks to the SWIFT international electronic fund transfer system. The official Afghan currency is the Afghani, accepted in most parts of the country. Foreign currency including the dollar and Pakistani rupee are accepted in major cities. Da Afghanistan Bank, Afghanistan's central bank, intends to introduce currency reforms in 2002 with support and advice from U.S. and other international donors. Street exchange rates are determined on an informal, daily basis, primarily between major money traders at the Kabul currency market. The Afghani is freely convertible within Afghanistan. The exchange rate as of mid September 2002, as taken in several exchange points in Kabul, was USD1: 40,000 Afghani. The new Afghani, which should be issued beginning in early October, features several anti-counterfeit elements. The value of one new Afghani will be 1,000 old Afghanis or 2,000 "Dostum" notes.

Unemployment is a major issue for the TISA, with rates running as high as 50% in Kabul and even higher outside of the capital. The average monthly salary in Kabul is about USD10 per month, with wages much lower outside the capital. English-speaking Afghan professionals are in short supply, however returning Afghan expatriates from neighboring countries may alleviate this situation in the shorter-term. Privatization is being discussed by the TISA, and the

government is expected to announce privatization efforts in 2002-3. There are no capital markets of portfolio investment vehicles to speak of in Afghanistan, and this prospect is many years away.

Communications in Afghanistan are difficult, and in some places outside of Kabul, non-existent. During the anarchic period of the 1980s and 1990s, the nation's phone lines were excavated by fighters digging trenches and often stripped for copper by scavengers. There are just 12,000 functioning telephones in Kabul, a city of nearly two million. In September 2002, the Ministry of Communications issued a tender for a second wireless license.

The April 2002 launch of Afghan Wireless Communications Corporation (an American-Afghan joint venture) has greatly improved communications within Kabul, with plans for further rollout in outlying provinces.

Commercial Environment

Afghanistan is in the midst of a major transition from a war-ravaged economy to one based on market principles. This process will take years to accomplish, and the short-term priorities of the TISA are focused on basic elements of governing, including security and government services. While entrepreneurial, Afghans continued to trade even throughout upheaval, the country's commercial infrastructure is minimal. The banking system is virtually non-existent, with only three banks in the entire country. One goal of the upcoming currency exchange program is to re-establish a nationwide banking system through the rehabilitation of regional central bank branches. Currently, almost all transactions are conducted in foreign currency, often via the hawala system whereby money is deposited with a money trader and transferred in or out of the country. Afghanistan, however, is eager to reestablish long-standing trade relationships with its neighbors, Asia, Europe and the United States. As a signal of U.S. interest in restoring trade ties with Afghanistan, in May 2002 President George W. Bush reinstated normal trade relations tariff treatment to Afghan products. At this time, there are no bilateral investment or trade treaties in place between the United States and Afghanistan.

Business development in Afghanistan is neither for the faint of heart nor for those with little international trade experience. Basic tools of doing business -- from telecoms to local staff to a decent hotel room -- are in short supply and only now beginning to make the steep climb to international standards. Decision-making in the Afghan government is slow, bureaucratic, and at times non-transparent. Given the fluid security situation throughout the country, insurance companies are very hesitant to issue coverage for cargoes consigned to or transiting Afghanistan. Political violence remains a general concern and needs to be factored into each business case.

The TISA, in coordination with the Afghanistan Assistance Coordination Authority (AACA), is putting in place a system of laws and regulations to encourage trade and investment in Afghanistan. In September 2002, the TISA ratified a new, investor-friendly "Law on Domestic and Foreign Private Investment in Afghanistan." This new law makes no distinction between foreign and domestic investors and seeks to apply international standards to accounting, capital transfer and dispute resolution. The only requirement to invest in Afghanistan will be to maintain a valid bank account and to pass a criminal background check. Investments in

Afghanistan can be 100% foreign owned, and foreign investors do not need to secure an Afghan partner. Previous requirements for foreign investors to deposit \$50,000 to obtain a commercial license, and domestic investors to place collateral amounting to half the value of the planned investment, are waived by the law.

Work continues with donor assistance on a wide range of trade and investment legislation, including customs, tax, civil code, and other areas affecting business. A July 2002 workshop on trade and investment in Afghanistan was an important step to further dialogue on the creation of an attractive business climate. The legal system, including arbitration of commercial matters, is only beginning to rebuild and at this writing, does not play a role in adjudicating business disputes.

Strong local knowledge is a vital part of business development in Afghanistan. It is important to know the players, their relationships with the government and throughout the country, and their ability to do business with U.S. firms. Formal distribution and sales channels as known in the west do not exist in Afghanistan. Establishing an office remains more of an art than a procedure, and market savvy Afghans can help with the bureaucratic registration process. Joint ventures are likely to be concluded in 2002-2003, primarily with Pakistani, UAE and Iranian firms. Informal trade, often by people who physically travel back and forth to Iran and Pakistan, predominates. As reconstruction efforts continue, U.S. companies will slowly be able to develop on-the-ground agents and distributors by the end of 2002 and into 2003. As of this writing, there were no known marking and labeling requirements, however it is wise to have at least some Dari translation on any product intended for sale in Afghanistan.

Very few Afghans speak English, however many returning Afghans from Pakistan often do know some English. Dari (Afghan Persian) and Pashtu are the primary languages in Afghanistan. A reliable interpreter, guide, and advisor is the first order of doing business in Afghanistan whether in-country or offshore. While rates vary widely, educated Afghan professionals, fluent in English, Dari, and Farsi, earn up to USD1,000 per month, paid in cash dollars. For travel within Kabul, a car and driver (no English) will run up to USD30 to 50 per day. Government ministries operate Saturday through Thursday from 8am to 4pm and are closed on Fridays. Commercial shops keep longer but varying hours, usually from 7am to 11pm.

The Reconstruction Effort

The TISA has established an Afghanistan Assistance Coordination Authority (AACA), under the guidance of President Karzai and several economic ministers. The United States is spearheading this effort and is the largest donor of humanitarian and development assistance to Afghanistan. In January 2002, the Tokyo Donors Conference resulted in the agreement of significant assistance commitments from a donors group. In the Tokyo meeting, donors pledged some \$4.5 billion over five years in assistance to Afghanistan, with \$1.8 billion to be implemented in 2002.

The Afghanistan reconstruction effort has attracted broad international support from donor organizations, bilateral programs, and non-governmental organizations.

Management of the reconstruction effort will be an enormous challenge in light of the limited technical and revenue generating capacities of the government and the large number of donors and implementing agencies. From 2001 to 2002, the assistance effort focused on relief, including provision of food, blankets, shelter, and other immediate needs. Several hundreds of donors and implementing partner organizations are involved in this massive effort. Some donors have already begun procurements of heavy machinery, including \$2 million of snowplow equipment and cargo trucks provided by the United Nations. Given the tremendous need to provide quick impact to the Afghan people and to create jobs in country, some donor agencies are handling procurements on a streamlined basis, often in Kabul.

Selected Overview of Key U.S. Government and Donor Activities

U.S. Agency for International Development (USAID)

Since October 2001, the United States has provided well over \$440 million in assistance to Afghanistan, mostly humanitarian assistance funds through U.S. Agency for International Development. USAID has taken a leading role in the reconstruction effort, focusing on immediate relief including provision of food aid, wool blankets and quilts, shelter kits, and winterized tents. As part of rehabilitation and reconstruction efforts, USAID will focus on housing, roads and bridges, wells and irrigation systems, agriculture rehabilitation and seeds, and other income generation projects.

Close to 80% of USAID's contracts and grants go directly to U.S. firms. The USAID Web site, www.usaid.gov, has a business and procurement link that lists upcoming procurements including solicitation documents, announcements, and other resources. This site is updated on a daily basis and offers e-mail notification when a new solicitation has been uploaded to the site. U.S. firms interested in bidding on USAID projects in Afghanistan can review requests for applications, proposals, quotations, and invitation for bids on this Web site. U.S. firms should also review the main portal for U.S. government procurements at www.fedbizopps.gov.

Overseas Private Investment Corporation (OPIC)

OPIC, an independent agency of the U.S. government, offers political risk insurance and loans to help U.S. businesses of all sizes invest and compete in more than 140 emerging markets and developing nations worldwide. As a central element of the Bush Administration's commitment to the reconstruction of post-Taliban Afghanistan. This line of credit will be available to projects which demonstrate a substantial U.S. participation, promise significant benefits to the economic and social development of Afghanistan, and foster private sector competition in Afghanistan. OPIC gives preferential consideration to projects that significantly involve U.S. small businesses. OPIC is actively developing several projects in Afghanistan, including a five-star hotel property and further support for the telecommunications sector. For more information, please go to www.opic.gov.

OPIC has established a \$50 million line of credit to support U.S. investment in this country.

U.S. Trade and Development Agency (TDA)

The U.S. Trade and Development Agency (TDA), an independent U.S. government agency, promotes American private sector participation in major projects in developing and middle-income countries. TDA provides grant funding for a variety of activities, including feasibility studies and technical assistance related to capacity building. By providing assistance in project planning, TDA promotes economic development, while helping U.S. companies get involved in projects that offer significant export opportunities.

TDA has moved quickly to establish its program in Afghanistan, and already has approved a number of activities, totaling about \$200,000 and outlined here.

Telecommunications

- TDA provided funding for a short-term advisor to the Ministry of Communications to assist in telecommunications policy work. The advisor assisted in drafting the Afghanistan Telecommunications Policy, which was adopted by the Afghanistan Interim Administration Cabinet of Ministers in April 2002.
- TDA is providing funding for technical assistance to the Ministry of Communications in proposal evaluation and coordination of donor activities in this sector.

Hotels

- TDA provided funding for a consultant to assess hotel opportunities in Kabul. The assessment has been provided to potential U.S. investors, hotel companies, and construction and management companies.

Oil and Gas

- TDA funded a Definitional Mission (DM) in the oil and gas sector in August 2002, involving the visit to Afghanistan of two industry specialists (one U.S. Geological Survey representative and one private sector consultant) to review several potential projects.
- TDA is funding a DM in the aviation sector, which will involve the visit to Afghanistan of two industry specialists (one FAA representative and one private sector consultant) to review potential projects.

U.S. Department of Commerce's Afghanistan Reconstruction Task Force

To facilitate U.S. company participation in the Afghanistan reconstruction effort, the U.S. Department of Commerce, in cooperation with several government agencies, has created a Task Force to support U.S. efforts to promote bilateral trade and investment. The Task Force has highlighted several industry sectors for business development, including electrical power and fuel supply, water supply, public works, telecommunications, health care, and construction (roads and housing). While Afghanistan reconstruction projects may provide U.S. companies with commercial opportunities, they also carry risks, not only financial, but also physical, due to the lack of security in many areas. Interested U.S. companies can call 1-800-USA-TRAD(E), visit the Web site www.export.gov/afghanistan, e-mail questions to AfghanInfo@ita.doc.gov for business counseling on opportunities in Afghanistan, or contact U.S. Embassy Commercial Service officers assigned to the project based in Tashkent, Uzbekistan. For more information, please see the key contacts section below.

World Bank

World Bank Approves \$100 million in Grants for Afghan Reconstruction

The World Bank is playing a major role in the efforts to reconstruct Afghanistan. As of June 6, 2002 it has approved \$100 million in grants to provide immediate assistance to Afghanistan and has pledged an additional \$470 million in concessional assistance over the following two years. In addition, the World Bank will serve as administrator of the multi-donor Afghanistan Reconstruction Trust Fund (ARTF), which will provide coordinated financing of un-funded priority expenditures in Afghanistan's reconstruction program.

The initial \$100 million in World Bank grants will to be used for:

- an Emergency Public Administration Project, (\$10 million) to fund procurement and financial management specialists to assist the Afghanistan Assistance Coordination Authority (AACA) in the execution of donor-funded projects;
- an Emergency Infrastructure Reconstruction Project (\$33 million) for restoration of water, sanitation, power and other urban services in Kabul and other provincial cities as well as related policy and regulatory advice;
- a National Community Empowerment Program (\$42 million) to fund labor intensive public works and community grants for infrastructure improvements and housing reconstruction in villages throughout the country;
- an Emergency Education Rehabilitation and Development Project (\$15 million) to support the Afghan government's emergency education program.

Information on these projects and on other activities of the World Bank in Afghanistan, is available on the World Bank's Web site: www.worldbank.org/afghanistan. In addition, firms and individuals interested in procurements related to the above projects and other reconstruction activity in Afghanistan should monitor the Development Gateway dgMarket (www.dgMarket.com), a global on-line site providing information on donor and government-funded tenders, and/or the UN Development Business on-line subscription service

(www.devbusiness.com). Several procurement notices related to the above projects already have been posted on these sites.

Procurement related to World Bank and/or ARTF-funded projects will be handled by Crowne Agents, the procurement agent hired by the AACA under the Emergency Public Administration Project, in conjunction with the relevant Afghan government ministries. Contact information for the procurement agent will appear on the above Web sites as soon as it is finalized. U.S. companies seeking more information on doing business on World Bank-financed projects should contact Bill Crawford at the U.S. Commercial Service Liaison Office in the Office of the U.S. Executive Director to the World Bank (e-mail: Bill.Crawford@mail.doc.gov).

Asian Development Bank

The Asian Development Bank (ADB) is playing an important role in the reconstruction of Afghanistan, and will provide up to \$500 million in highly concessional loans and grants over the first two and a half years of the TISA. The ADB will focus on capacity building in various sectoral areas, including agriculture and natural resource management, social sectors, infrastructure and road reconstruction; transportation; and energy. As of July 2002, the ADB Web site listed one project of potential interest to U.S. firms:

Capacity Building for Reconstruction and Development
(Project: AOTA: AFG 36139-01)
Sector: Multisector
Value: \$14.5 million

This project, broken into four sub-clusters, presents opportunities for U.S. consulting firms and private consultants. For more information on ADB activities in Afghanistan, please go to www.adb.org/afghanistan and contact Stewart Ballard, U.S. Commercial Service Liaison Officer to the ADB at Stewart.Ballard@mail.doc.gov

Given the major donor effort in Afghanistan, U.S. firms should also look to other potential project funding and contracting opportunities, including the United Nations, the International Finance Corporation, and non-governmental organizations.

Best Prospects for U.S. Suppliers

Commerce is growing almost daily on Afghanistan's streets, mostly confined to store front and informal roadside trading. Afghanistan's need to completely renovate its infrastructure will present opportunities for American firms. However, this will be severely hampered in the short-term by the very limited purchasing power of the Afghan population.

Business opportunities in the short- to medium-term will be driven by the overall reconstruction effort, donor assistance, and the ability of U.S. firms to win bids and partner as part of larger projects.

Short-Term Opportunities

Based on an informal study of the market in Kabul, the following U.S. goods and services appear to have strong demand. This list is not prioritized, however it does convey the broad, extensive nature of the potential import market in Afghanistan.

- Architectural, construction, and engineering services
- Building materials for both residential and commercial properties
- Computer hardware, software and peripherals (to include Dari language capability)
- Telecommunications services and equipment
- Diesel generators for independent power supply
- Education/training Services
- Consumer electronics
- Heavy equipment, including trucks, trailers and buses; motor graders, concrete mixers, heavy duty dumpers, paver finishers, and bulldozers
- Security and safety equipment
- Automobiles/light trucks/vans and development of dealerships for 4x4 vehicles (sales, parts, and service)
- Translation services, including simultaneous, conference style translation products.
- Office furniture

Medium-Term Opportunities

- Aircraft/aircraft parts
- Airport/ground support equipment
- Electrical power systems
- Oil and gas field machinery, oil, gas and mineral exploration and production services
- Agricultural chemicals, machinery, equipment and services,
- Food processing and packaging equipment for nuts, raisins, and other fruits

- Irrigation planning and technologies
- Road upgrades, lighting and signage
- Transportation services (other than aviation)

Hard to maintain, expensive, high technology items will not sell well here. Competition from lower-quality, cheaper goods and services from Pakistan and Iran should be taken into consideration when preparing quotations. U.S. firms wishing to ship goods or equipment should look at quotes for consignment to Karachi, Pakistan. While trans-shipment through Bandar-I-Abbas, Iran, is common, U.S. citizens and entities are forbidden from doing so without written approval by the U.S. Department of Treasury's Office of Foreign Access and Control.

When considering opportunities in Afghanistan, keep the business plan simple, clear, and focused.

Travel Warning for Afghanistan

While the U.S. Embassy in Kabul encourages U.S. companies to review business opportunities in Afghanistan, it is important to keep in mind the fluid security situation in the country. Travelers should consult the State Department Web site (www.state.gov - see Consular Information Sheet and Travel Warning Page) prior to any travel.

There is currently a high-level of danger in the north of Afghanistan. Due to a growing number of attacks against United Nations and private humanitarian workers and non-governmental organizations in northern Afghanistan in and around the city of Mazar-e-Sharif, the U.S. government warns American citizens, including those with experience in the area, against traveling to or residing in the Mazar area. Those currently in the Mazar area should review their security arrangements, contact U.S. military forces in the region to register their presence, and make preparations to depart.

U.S. Embassy Kabul

The United States Liaison Office in Kabul was officially inaugurated as an Embassy on January 17, 2002. The Embassy does not provide passport or visa services. The Embassy's ability to provide emergency consular services to U.S. citizens in Afghanistan is limited. Embassy officials in Kabul cannot travel outside the capital to provide assistance to Americans. Afghan authorities can provide only limited assistance to U.S. citizens facing difficulties. The U.S. Embassy in Islamabad, Pakistan will provide most routine consular services to American citizens traveling to Afghanistan. U.S. citizens who choose to visit or remain in Afghanistan are urged to pay close attention to their personal security and to take those actions they deem appropriate to ensure their well-being. Americans in Afghanistan should avoid rallies or demonstrations. All U.S. citizens remaining in Afghanistan or planning to travel to the country are strongly urged to register with and obtain updated security information from the American Embassy in Islamabad, Pakistan, the U.S. Consulate in Peshawar, or the Embassy in Kabul. Contacts are provided at the end of this overview.

Business Travel Tips for Kabul

Business meetings are usually conducted in English or Dari in the principal's office, often while sitting on couches. Green or black tea, nuts and raisins are served to greet guests. The form of greeting is Salam Aleykum (Peace be with you), followed by a firm handshake and then briefly placing your right hand over your heart. It is best to take several minutes initially to engage in pleasantries about each other's country, rather than going straight to business. Afghan interlocutors may appear vague and non-committal during meetings. In order to build trust and "get to yes," be patient, share meals and other social events, and discuss matters other than business. Capture the essence of your business meetings and agreements in a follow up letter to your Afghan interlocutor. Be clear about what you have committed yourself or your U.S. firm to do, or in many cases, have not committed to do. A promise to "look into" or "research" an issue, quote, or pricing policy is often interpreted here as a firm commitment.

Afghans are a friendly, hospitable people who warmly greet Americans and other foreigners.

An Afghan visa is needed to enter the country. Visa procedures and fees tend to vary, so please check with the nearest Afghan Embassy or Consulate.

Americans intending to travel to Afghanistan should carefully review the security situation and make travel decisions accordingly. Street crime against foreigners is still the exception rather than the rule, but foreigners make for easy targets given their prominence and perceived wealth. If out in the city, travel in pairs, be aware of your surroundings, and be in before dark.

Air transportation in and out of Kabul is spotty, and only is now beginning to take shape. Businesspersons tend to use two routes to get into Kabul, on Ariana Afghan Airlines via Dubai, United Arab Emirates and Islamabad, Pakistan. Express mail services are offered by DHL and TNT.

Cash U.S. dollars, Afghani, and Pakistani rupees are widely used as currency. Checks and credit cards are not accepted in Afghanistan. Hotel accommodations are spartan, with few acceptable hotels and minimal guesthouses. The Intercontinental Hotel is the only passable hotel in Kabul, however projects to build new hotel accommodation are under active consideration. Taxis around town should range between 20,000 to 40,000 Afghani (\$0.50-1.00) per trip, however a dedicated car and driver are recommended. Afghanistan observes a six-day work week, with Friday as the day off. Saturday and Sunday are regular trading days. Popular restaurants include the Herat, Golden Lotus, Marco Polo, and more restaurants are opening on a weekly basis to serve the growing expatriate population in Kabul. The tap water is not potable in Afghanistan; only bottled water, preferably sparkling, should be consumed. As Afghanistan is an Islamic country, alcohol is neither sold nor served in restaurants or hotels. As large parts of Kabul have been destroyed by war, acceptable housing is at a premium, with rents often going for several thousands of dollars per month.

The weather in Afghanistan is very dry, with summer highs into the 100s F and winter lows into the 20s F with snow. Western-style medical care is not available in Afghanistan. Travelers should bring all necessary medications, both prescription and over-the-counter. Travelers with

chronic medical conditions should defer travel to Afghanistan. Afghanistan is in a malarial zone. Afghanistan is on a 220v, 60 cycle electrical system, using European round, two-prong plugs. For more information on travel and medical conditions in Afghanistan, go to www.travel.state.gov and www.cdc.gov/travel.

Key Contacts

In cooperation with the U.S. Embassy in Kabul, the U.S. Department of Commerce is providing short-term business advisory services on Afghanistan Reconstruction in Kabul, Washington and through the U.S. Embassy Commercial Service in Tashkent, Uzbekistan.

For further information, please contact:

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U.S. Department of Commerce
Washington D.C. 20230
Tel: 1 800 USA TRAD(E)
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